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MEMORANDUM FOR: FPBC Members

SUBJECT : Long-range budget projections

1. Attached is a letter from the Director of the Bureau of the Budget calling for long-range budget estimates for FY 1965-69. You will note that agency reports are due by May 4. To help OBPAM compile the necessary data and the information related thereto, a meeting of the FPBC will take place on April 22 at 1600 in the DCI Conference Room.

2. Immediately below is a table reproduced from a 28 February 1964 letter from BOB which provided planning estimates "intended to form the basis for our discussions this spring on the 1966 budget." No manpower projections were included in the Bureau letter.

	Program Projection (millions of dollars)			
	1965	1966	1967	1968
Regular operations				
Replenishment of Reserve				
Total, new obligational authority				

3. As you know, we recently concluded an "assumptions" exercise to obtain component thinking on future program trends. We have priced out these assumptions, allowed for an annual 3% price increase factor, and come out with totals as shown on the following table. (See Tab A)

4. The DCI has approved the general dollar levels which emerged from the assumption exercise, and you will note that our internally developed estimates are reasonably in accord with the Bureau's. On personnel ceilings, however, Mr. McCone has indicated a wish to reduce employment to the [redacted] level over the next several years. To achieve this objective, we have recalculated the assumptions data, using a 1966 personnel level which is the same as that for 1965. This calculation reduced the Agency regular program requirement to [redacted] Obviously, this will require resolution of the new mix.

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5. It is requested that you be prepared to discuss the impact of different program levels on the activities of your Directorate at Wednesday's FPBC meeting. In addition we will need to know those items each Directorate would include in a 10% low priority list as indicated in paragraph 1, page 2, of the BOB letter. Unless there have been major changes in the interim, we would hope that the narratives submitted with your "assumptions" calculations would stand as the basis for the program statements which must accompany the reply to BOB. (OBPAM could then draft the reply with minimum need for further time-consuming labor by the Directorates.)

DD/S
Ladmore

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JOHN M. CLARKE
Director of Budget,
Program Analysis and
Manpower

Attachment

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BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

14 APR 1964

Honorable John A. McCone
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Mr. McCone:

This letter outlines the nature of the information your Agency is asked to submit as the basis for the annual spring review of Government programs. In this year's review we expect to take full advantage of the process of program and financial planning developed over the past three years and to emphasize the consideration of longer-range program issues. The information you submit should be aimed at those objectives. We should like to have it in our hands no later than May 4, 1964.

Essentially, your submission should provide two kinds of information:

First, the program plan which you propose for your Agency for the next several years and a financial plan of new obligational authority based thereon. The new program plan and financial plan should be based upon a fresh evaluation of program goals and objectives, thus going beyond a simple updating of previously submitted plans. Information has been provided your staff as to the modifications in these earlier plans which the 1965 budget allowance would require. Modifications likely to result from actions of the Congress in this session must also be taken into account.

Special efforts should be made to incorporate into your submission proposed reductions in and eliminations of marginal or obsolete activities in accordance with the President's policy that by such action we can allow new and expanded programs to move ahead.

Second, information to give the President an adequate recognition of the program priorities involved in his budget decisions and to assist him in making the choices that may be necessary for the attainment of his fiscal objectives. Your judgment is needed with respect both to the Central

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2

Intelligence Agency and the total U.S. foreign intelligence effort. Accordingly, we are asking that you identify:

1. For your Agency as a whole, with some ranking of priorities, a band of possible adjustments that could be made to your program and financial plans. This band should cover at least 10% of the controllable new obligational authority in your financial plan for 1966. The identified adjustments should, of course, consist of activities lower in priority and urgency than those not so identified. Further, they should not include any Government services which are clearly essential to the national security and the well-being of the Nation.
2. For the intelligence community, as defined by USIB membership, the budgetary implications of the various special studies of broad intelligence program areas now being conducted under your sponsorship and of any other community-wide program reviews you may have undertaken. With respect to the Consolidated Cryptological Program and the National Reconnaissance Program, I would welcome any comments on these areas you may wish to make. I particularly solicit your views as to the magnitude of the overall intelligence effort which you believe will be required between now and fiscal year 1969 and any changes you anticipate in the basic "mix" of collection techniques.

Since the spring program review will concentrate on major long-term objectives and policy issues, figures are important in terms of general orders of magnitude only. Such figures will provide an adequate basis for the target amounts and other guidelines for the 1966 budget which we would expect the President to establish after the program review has been completed. Therefore, it would be unproductive to expend great effort in attempting to refine figures or present them in minute detail. This review is concerned with the 1966 budget only to provide guidance for its preparation--not to determine its detail.

We expect that your plans will take into account the policies on improved efficiency and tighter management which the President has enunciated on several recent occasions. Vigorous efforts must be made to apply and extend these policies.

For the purpose of preparing program statements and budget projections, we suggest using the following assumptions: (1) that the current economic recovery will continue without major interruption, but relatively full employment (i.e., 4% unemployed) may not be reached until early in the calendar year 1966; (2) that domestic prices--on the average--will remain generally at their present levels; (3) that present classified salary scales will continue (necessary adjustments will be made by us centrally);

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3

and (4) that international tensions and our international objectives will not change substantially. These are, of course, assumptions and not forecasts; they are simply intended to provide a uniform basis for the consideration of programs and projections.

After we have reviewed and analyzed your program statements and budget projections, we expect to discuss them with you before placing the complete budget outlook before the President.

Sincerely,

Alvin C. Carden.

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Next 1 Page(s) In Document Exempt